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EAST TAWAS CITY PARK  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED SEPTEMBER 30, 2008

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## AUDITORS' REPORT

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 5
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
STATEMENT OF NET ASSETS	6
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9 - 16
<b><u>OTHER INFORMATION</u></b>	
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL	17



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January 07, 2009

Independent Auditors' Report

Board of Directors  
East Tawas City Park  
Iosco County, Michigan

We have audited the accompanying financial statements of the business-type activities of the East Tawas City Park, Iosco County, Michigan, as of and for the year ended September 30, 2008, which collectively comprise the Park's basic financial statements, as listed in the index. These financial statements are the responsibility of the East Tawas City Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the the business-type activities of the East Tawas City Park, Iosco County, Michigan, as of September 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the East Tawas City Park's basic financial statements. The budget and actual statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budget and actual statement has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stephenson, Gracik & Co., P.C.*



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the **East Tawas City Park**, (the City Park) we offer readers of the City Park's financial statements this narrative overview and analysis of the financial activities of the City Park for the fiscal year ended September 30, 2008.

### Financial Highlights

- The City Park's assets exceeded its liabilities by \$2,398,001 (*net assets*) for the fiscal year reported. Of this amount, \$447,576 (*unrestricted net assets*) represents the portion available for spending.
- The City Park's total net assets decreased by \$106,012 or 4.2% over the course of the year's operations. Although many factors contributed to this decrease, one of the primary contributors is the bond, interest and O & M payments for the East Tawas City Hall and Community Center being paid by the Park. In fiscal year 2007-2008, the amount of those payments was \$165,024.
- The City Park's operating expenses in fiscal year 2007-2008 were \$36,959 higher than those in fiscal year 2006-2007. This increase was due primarily to the increase in professional fees and services.
- Operating revenues for the City Park in fiscal year 2007-2008 were \$44,270 higher than those in fiscal year 2006-2007. This increase was due to the 2008 camping season being the second busiest since 1989 combined with a 50 cent daily rate increase.

### Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the City Park. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### Required Financial Statements

The financial statements of the City Park report information of the City Park using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the City Park's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the City Park and assessing the liquidity and financial flexibility of the City Park.



All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Assets. This statement measures the success of the City Park's operations over the past year and can be used to determine whether the City Park has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

## Notes to Financial Statements

The accompanying notes to financial statements provide information essential to a full understanding of the financial statements.

### Analysis of Financial Position:

One of the most important questions asked about the City Park's finances is "Is the City Park as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the City Park's activities in a way that will help answer this question. These two statements report the net assets of the City Park and the changes in them. One can think of the City Park's net assets, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the City Park's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

### Summary of Net Assets:

The following summarizes the net assets of the East Tawas City Park at September 30, 2008 and 2007:

	<b><u>Net Assets Summary</u></b>	
	<b><u>September 30, 2008</u></b>	<b><u>September 30, 2007</u></b>
Current Assets	\$ 489,498	\$ 501,702
Capital Assets – net	<u>1,950,425</u>	<u>2,081,132</u>
<b>Total Assets</b>	<b><u>2,439,923</u></b>	<b><u>2,582,834</u></b>
Current Liabilities	36,577	67,697
Long-Term Liabilities	<u>5,345</u>	<u>11,124</u>
<b>Total Liabilities</b>	<b><u>41,922</u></b>	<b><u>78,821</u></b>
<b>Net Assets</b>		
Investment in Capital Assets	1,950,425	2,081,132
Unrestricted	<u>447,576</u>	<u>422,881</u>
<b>Total Net Assets</b>	<b><u>\$ 2,398,001</u></b>	<b><u>\$ 2,504,013</u></b>

## Capital Assets

The City Park's investment in capital assets as of September 30, 2008 amounted to \$1,950,425 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, signs and construction in progress. Capital assets for the City Park decreased by \$130,707. Total depreciation expense for this year amounts to \$173,827 with ending accumulated depreciation being \$3,247,043.

### Capital Assets Summary (Net of depreciation)

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Land	\$ 261,134	\$ 234,065
Land improvements	1,268,036	1,383,664
Buildings and improvements	401,515	426,135
Machinery and equipment	6,225	1,649
Signs	13,515	14,456
Construction in progress	<u>0</u>	<u>21,163</u>
<b>Capital Assets- net</b>	<b><u>\$ 1,950,425</u></b>	<b><u>\$ 2,081,132</u></b>

Additional information on capital assets can be found in Note 3 of the audit, notes to financial statements.

### Summary of Revenues and Expenses:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Operating revenue	\$ 674,185	\$ 629,915
Non operating revenue	<u>14,740</u>	<u>13,334</u>
Total revenue	<u>688,925</u>	<u>643,249</u>
Depreciation expense	173,827	180,854
Other operating expense	<u>456,086</u>	<u>412,100</u>
Total expenses	<u>629,913</u>	<u>592,954</u>
Income before contributions and operating transfers	59,012	50,295
Capital contribution – federal grants	0	6,480
Operating transfers out	<u>(165,024)</u>	<u>(179,061)</u>
Change in net assets	(106,012)	(122,286)
Net assets - beginning of year	<u>2,504,013</u>	<u>2,626,299</u>
Net assets – end of year	<b><u>\$ 2,398,001</u></b>	<b><u>\$ 2,504,013</u></b>

## **Economic Factors and Next Year's Budget and Rates**

The East Tawas City Park took many factors into consideration in setting the fiscal year 2008-2009 budget. As always, the overriding factor in the budgeting process was to keep expenses at or below the amount of revenue generated. The majority of the revenues generated by the City Park are derived from camping rates paid by customers of the 174 site East Tawas City Park Campground. Over the past five years, the camping fee revenues have continued to increase annually from \$535,105 in fiscal year 2002-2003 to \$628,784 in fiscal year 2007-2008. The major reason for the increase in these revenues is a result of annual rate increases for nightly stays in the campground. Another reason for the increase is that the City Park experienced an increase in total camper days of around 2% per year in 2005-2006 and 2006-2007 and more than a 5% increase in 2007-2008.

The most significant monetary operating expense for the East Tawas City Park continues to be employee related costs. Following these costs are the fixed costs such as utilities, repair and maintenance and insurance and bonds. Depreciation continues to be the park's largest non-monetary operating expense.

In 1999, the City of East Tawas constructed a new City Hall and Community Center funded by bonds sold by the East Tawas Building Authority. Repayment of these bonds is being made by the East Tawas City Park through campground revenues generated by the Park. This constitutes the Park's largest nonoperating expense and appears in the audit report as an operating transfer out. The budgeted amount for the Community Center bond principal and interest payment along with the City Park's annual O & M payment to the Community Center for fiscal year 2008-2009 is \$178,430.

The state of the economy will again be the major deciding factor in the success or failure of the East Tawas City Park campground in fiscal year 2008-2009. In 2007-2008, the East Tawas City Park increased their rates by .50 per night. The park also experienced an increase of 1,419 camper days during the 2007-2008 fiscal year. Combined with the minimal rate increase, this resulted in approximately a 5% increase in camper business from 2006-2007. For the 2008-2009 season, the East Tawas City Park has again increased their rates for the primary camping season, May 1 to October 15, by .50 per night. The Park should not experience a negative impact on their business for the 2008-2009 season due to this slight increase. However, the downturn in the economy could play a huge role in the park's business for 2008-2009.

## **Requests for Information**

This financial report is designed to provide a general overview of the East Tawas City Park finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Park Manager, 407 W. Bay Street, East Tawas, Michigan 48730.

EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENT OF NET ASSETS  
September 30, 2008  
With Comparative Totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 476,214	\$ 491,702
Investments (Note 2)	10,284	10,000
Due from State	<u>3,000</u>	<u>0</u>
Total Current Assets	489,498	501,702
Noncurrent Assets:		
Capital Assets, Net (Note 3)	<u>1,950,425</u>	<u>2,081,132</u>
Total Assets	<u>2,439,923</u>	<u>2,582,834</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	10,398	25,716
Due to Other Funds	26,179	39,461
Deferred Revenue	<u>0</u>	<u>2,520</u>
Total Current Liabilities	36,577	67,697
Long-Term Liabilities:		
Due in More Than One Year (Note 4)	<u>5,345</u>	<u>11,124</u>
Total Liabilities	<u>41,922</u>	<u>78,821</u>
<u>Net Assets</u>		
Invested in Capital Assets	1,950,425	2,081,132
Unrestricted	<u>447,576</u>	<u>422,881</u>
Total Net Assets	<u>\$ 2,398,001</u>	<u>\$ 2,504,013</u>

The accompanying notes to financial statements are an integral part of this statement.



EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended September 30, 2008  
With Comparative Totals for the Year Ended September 30, 2007

	<u>2008</u>	<u>2007</u>
<u>Operating Revenue</u>		
Commissions	\$ 411	\$ 537
Camping Fees	628,784	588,307
Storage Fees	37,142	35,280
Building Rental	4,755	4,680
Other Revenue	3,093	1,111
Total Operating Revenue	<u>674,185</u>	<u>629,915</u>
<u>Operating Expenses</u>		
Salaries and Wages	170,206	192,456
Payroll Taxes and Employee Benefits	41,824	25,247
Pension	9,548	9,368
Advertising	2,796	1,860
Depreciation	173,827	180,854
Equipment	7,887	4,490
Insurance and Bonds	22,016	22,440
Office Supplies	1,325	1,260
Operating Supplies	17,332	13,183
Professional Fees and Services	38,107	2,360
Rent	2,380	2,326
Repair and Maintenance	35,887	38,046
Rubbish Collection	4,968	3,457
Uniforms	2,462	2,936
Utilities	95,429	89,394
Other	3,919	3,277
Total Operating Expenses	<u>629,913</u>	<u>592,954</u>
Operating Income	<u>44,272</u>	<u>36,961</u>
<u>Nonoperating Revenue</u>		
Federal Grants and Revenue	5,520	0
Interest and Investment Earnings	9,220	13,334
Total Nonoperating Revenue	<u>14,740</u>	<u>13,334</u>
Income Before Contributions and Operating Transfers	59,012	50,295
Capital Contribution - Federal Grants	0	6,480
Operating Transfers Out	<u>(165,024)</u>	<u>(179,061)</u>
Change in Net Assets	(106,012)	(122,286)
Net Assets - Beginning of Year	<u>2,504,013</u>	<u>2,626,299</u>
Net Assets - End of Year	<u>\$ 2,398,001</u>	<u>\$ 2,504,013</u>

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2008  
With Comparative Totals for the Year Ended September 30, 2007

	<u>2008</u>	<u>2007</u>
<u>Cash Flows From Operating Activities</u>		
Receipts From Customers	\$ 674,185	\$ 629,778
Payments to Suppliers for Goods and Services	(228,663)	(178,516)
Payments to Employees for Services	<u>(227,357)</u>	<u>(229,550)</u>
Net Cash Provided by Operating Activities	<u>218,165</u>	<u>221,712</u>
<u>Cash Flows From Non-Capital Financing Activities</u>		
Cash paid to other funds	<u>(178,306)</u>	<u>(158,124)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Federal Grants Received	0	9,000
Acquisition and Construction of Capital Assets	<u>(64,283)</u>	<u>(19,462)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(64,283)</u>	<u>(10,462)</u>
<u>Cash Flows From Investing Activities</u>		
Interest on Investments	<u>8,936</u>	<u>13,334</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,488)	66,460
Cash and Cash Equivalents at Beginning of Year (Note 1)	<u>491,702</u>	<u>425,242</u>
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 476,214</u>	<u>\$ 491,702</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>		
Operating Income	\$ 44,272	\$ 36,961
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	173,827	180,854
Capital Assets Written-Off	21,163	0
Change in Assets and Liabilities:		
Accounts Payable and Accrued Liabilities	(15,318)	132
Compensated Absences Payable	<u>(5,779)</u>	<u>3,765</u>
Net Cash Provided by Operating Activities	<u>\$ 218,165</u>	<u>\$ 221,712</u>

Supplemental Disclosures:

Noncash Capital and Related Financing Activities

The City Park recorded noncash activity in the form of an increase in Professional Fees and Services Expense and a decrease in Capital Assets, Net of \$21,163. This was the result of expensing of engineering fees that were capitalized in the prior year.

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Tawas City Park (Park) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Park Operations and Fund Types

The East Tawas City Park operates as an enterprise fund and is shown as a blended component unit in the City of East Tawas financial statements. The basic financial statements of the East Tawas City Park are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. All activities over which the East Tawas City Park exercises oversight responsibility have been included in the reporting entity.

Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Fund Accounting

The Park uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Park's Enterprise Fund reports operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

C. Basis of Presentation

The Park's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. Government wide financial statements report information about the East Tawas City Park as a whole. The Park has only one fund which is business-type in nature, so the financial statements present one set of statements that meets both the government-wide and fund requirements.

A statement of net assets provides information about the assets, liabilities, and net assets of the Park at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy Park obligations. Invested in capital assets represents the value of capital assets, net of accumulated depreciation. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operation purposes.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

A statement of revenue, expenses and changes in net assets provides information about the Park's financial activities during the year ended September 30, 2008. Revenue and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions. Operating revenues and expenses generally result from providing the use of camping and park facilities. Other revenues, such as federal and state grants designated for specific projects, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost of maintaining camping and park facilities, administrative expenses, and depreciation on capital assets.

A statement of cash flows provides information about the Park's sources and uses of cash and cash equivalents during the year ended September 30, 2008. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

D. Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the Park's operating statement. The Park is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Park is better off or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Park's operating statement. The Park uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

E. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Park are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

F. Receivables

Receivables generally consist of amounts due from the State of Michigan for grant projects. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The allowance for doubtful accounts at September 30, 2008 was \$0.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within East Tawas City Park are due to the City of East Tawas General Fund for payroll related expenses. The operating transfer out in the East Tawas City Park consists of transfers to the City of East Tawas General Fund and Community Center Fund for the operation and maintenance of the Community Center and the Park's contribution towards bond principal and interest for the Community Center debt.

H. Capital Assets

Capital assets are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful life of the assets.

Expenditures for maintenance, repairs and renewals are charged to operations as incurred and betterments are capitalized. The Park eliminates the cost and related allowances from the accounts for assets sold or retired and resulting gains or losses therefrom are included in operations concurrently. Donated fixed assets are recorded at their fair market values as of the date received.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 40 years
Machinery, Equipment, and Signs	3 - 20 years

I. Capital Contributions

Capital Contributions consists of land improvements received from Federal Grant projects.

J. Compensated Absences

The Park reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and sick leave benefits are accrued as a liability using the vesting method. An accrual for earned vacation and sick leave is made based on accumulated vacation and sick leave and the employee wage rates at year end taking into consideration limits specified in the Park's termination policy.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Park or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Park's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the City Park, these revenues are charges for services for camping and storage fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended September 30, 2008.

N. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

O. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the Park's deposits and investments were reported in the basic financial statements in the following categories:

Cash and Cash Equivalents	\$	476,214
Investments		<u>10,284</u>
Total	\$	<u><u>486,498</u></u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$	12,243
Investments in Financial Institution Pooled Funds		474,155
Petty Cash and Cash on Hand		<u>100</u>
Total	\$	<u><u>486,498</u></u>



EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of September 30, 2008, the Park had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government: Investment Pools	\$ <u>474,155</u>	Daily

Credit Risk

State law authorizes investments in accordance with Act 196, PA 1997 and in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The Park's investment pools are unrated.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Park's deposits may not be returned to it. As of September 30, 2008, \$0 of the Park's bank balance of \$12,243 was exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Park will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Park will minimize custodial credit risk, by; limiting investments to the types of securities approved in the Park's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Park will do business.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The Park's investment policy does not address concentration of credit risk, interest rate risk and foreign currency risk.

Investments

The Park Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Park to deposit and invest in the following:

- Accounts of federally insured banks, credit unions and savings and loan associations
- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- United States government or federal agency obligation repurchase agreements
- Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Park's deposits and investments are in accordance with statutory authority.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital asset activity follows:

	Balance 10/01/07	Additions	Deletions	Balance 09/30/08
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 234,065	\$ 27,069	\$ 0	\$ 261,134
Construction in Progress	21,163	0	(21,163)	0
Subtotal	<u>255,228</u>	<u>27,069</u>	<u>(21,163)</u>	<u>261,134</u>
Capital Assets Being Depreciated:				
Land Improvements	3,793,069	30,975	0	3,824,044
Buildings and Improvements	822,102	0	0	822,102
Machinery and Equipment	260,935	6,239	0	267,174
Signs	23,014	0	0	23,014
Subtotal	<u>4,899,120</u>	<u>37,214</u>	<u>0</u>	<u>4,936,334</u>
Less Accumulated Depreciation for:				
Land Improvements	(2,409,403)	(146,605)	0	(2,556,008)
Buildings and Improvements	(395,967)	(24,620)	0	(420,587)
Machinery and Equipment	(259,286)	(1,663)	0	(260,949)
Signs	(8,560)	(939)	0	(9,499)
Subtotal	<u>(3,073,216)</u>	<u>(173,827)</u>	<u>0</u>	<u>(3,247,043)</u>
Business-Type Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 2,081,132</u>	<u>\$ (109,544)</u>	<u>\$ (21,163)</u>	<u>\$ 1,950,425</u>

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 4 - LONG-TERM LIABILITIES

A. Compensated Absences Payable

The Park has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of September 30, 2008, the accumulated vested vacation and sick leave benefits of the employees of various Park departments were as follows:

	Long-Term Liability 09/30/08
<u>Accrued Employee Benefits Payable</u>	
Business-Type Activities	\$ <u>5,345</u>

B. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Park for the year ended September 30, 2008:

	<u>Balance 10/01/07</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 09/30/08</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Compensated Absences	\$ <u>11,124</u>	\$ <u>0</u>	\$ <u>(5,779)*</u>	\$ <u>5,345</u>	\$ <u>0</u>

\*Represents net of additions and retirements for the year.

NOTE 5 - RETIREMENT PLAN

The East Tawas City Park participates in an employee retirement plan along with the City of East Tawas. Under the plan, the City makes all required contributions, and the East Tawas City Park reimburses the City for contributions paid for its employees. The Plan is administered by Hartford Life Insurance Company.

Contributions made by an employee vest immediately and contributions made by the Park vest after 5 years of full-time employment. An employee who leaves the employment of the Park is entitled to his or her contributions and the Park's contributions if vesting requirements are satisfied. The Park is required to contribute an amount equal to 8% of the employee's gross earnings.

Total pension expense for the East Tawas City Park was \$9,548 for 2008. Additional information can be obtained in the City of East Tawas audited financial statements for the year ended September 30, 2008.

NOTE 6 - UNEMPLOYMENT COMPENSATION

The Park is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Park must reimburse the Employment Agency for all benefits charged against the Park. Accrued unemployment compensation was \$0 as of September 30, 2008.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2008

NOTE 7 - RISK MANAGEMENT

The Park is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters, as well as medical benefits provided to employees. The Park has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 8 - COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Park's financial position and operations.

## OTHER INFORMATION

EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
For the Year Ended September 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Operating Revenue</u>				
Commissions	\$ 600	\$ 410	\$ 411	\$ 1
Camping Fees	580,200	620,440	628,784	8,344
Storage Fees	32,000	30,000	37,142	7,142
Building Rental	4,800	4,750	4,755	5
Other Revenue	<u>2,000</u>	<u>2,500</u>	<u>3,093</u>	<u>593</u>
Total Operating Revenue	<u>619,600</u>	<u>658,100</u>	<u>674,185</u>	<u>16,085</u>
<u>Operating Expenses</u>				
Salaries and Wages	175,500	180,500	170,206	10,294
Payroll Taxes and Employee Benefits	43,550	43,265	41,824	1,441
Pension	9,000	9,600	9,548	52
Advertising	1,700	2,850	2,796	54
Depreciation	200,000	185,000	173,827	11,173
Equipment	5,500	8,200	7,887	313
Insurance and Bonds	28,000	22,500	22,016	484
Office Supplies	1,500	1,500	1,325	175
Operating Supplies	18,000	18,250	17,332	918
Professional Fees and Services	3,000	3,000	38,107	(35,107)
Rent	2,700	2,550	2,380	170
Repair and Maintenance	32,000	39,000	35,887	3,113
Rubbish Collection	3,500	5,300	4,968	332
Uniforms	2,800	2,500	2,462	38
Utilities	97,000	101,000	95,429	5,571
Other	<u>5,000</u>	<u>4,400</u>	<u>3,919</u>	<u>481</u>
Total Operating Expenses	<u>628,750</u>	<u>629,415</u>	<u>629,913</u>	<u>(498)</u>
Operating income (loss)	<u>(9,150)</u>	<u>28,685</u>	<u>44,272</u>	<u>15,587</u>
<u>Nonoperating Revenue</u>				
Federal Grants and Revenue	0	0	5,520	5,520
Interest and Investment Earnings	<u>9,000</u>	<u>8,900</u>	<u>9,220</u>	<u>320</u>
Total Nonoperating Revenue	<u>9,000</u>	<u>8,900</u>	<u>14,740</u>	<u>5,840</u>
Income (Loss) before Contributions and Operating Transfers	(150)	37,585	59,012	21,427
Operating Transfers Out	<u>(177,448)</u>	<u>(165,025)</u>	<u>(165,024)</u>	<u>1</u>
Change in Net Assets	(177,598)	(127,440)	(106,012)	21,428
Net Assets - Beginning of Year	<u>2,504,013</u>	<u>2,504,013</u>	<u>2,504,013</u>	<u>0</u>
Net Assets - End of Year	<u>\$ 2,326,415</u>	<u>\$ 2,376,573</u>	<u>\$ 2,398,001</u>	<u>\$ 21,428</u>



January 7, 2009

Management and the Park Board  
East Tawas City Park  
East Tawas, Michigan

We have conducted the audit of the financial statements of the business-type activities of the East Tawas City Park as of and for the year ended September 30, 2008 and have issued our report dated January 7, 2009. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditor's Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel at the Park during the audit and met with management on January 7, 2009. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board, others within the City and the Michigan Department of Treasury and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

*Stephenson, Grain & Co., P.C.*

## **Appendix I**

### **Communication to Those Charged with Governance**

#### **Responsibilities under Generally Accepted Auditing Standards**

As stated in our engagement letter dated November 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit as outlined in our engagement letter related to planning matters dated September 30, 2008.

#### **Significant Audit Findings**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the Park during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

#### **Difficulties Encountered During the Audit**

We encountered no difficulties during the audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management.

#### **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

**Appendix I**  
**Communication to Those Charged with Governance**

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

**Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

**Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

## **Appendix II Management Comments**

In planning and performing our audit of the financial statements of East Tawas City Park as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered East Tawas City Park's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Tawas City Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Tawas City Park's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified the following deficiency in internal control that we consider to be a significant deficiency.

### **FINANCIAL STATEMENT PREPARATION CONTROLS**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of East Tawas City Park's financial statements. However, if at any point in the audit we as auditors are part of the Park's control system for producing reliable financial statements, auditing standards indicate that the Park has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

View of Responsible Officials:

The East Tawas City Park has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Park to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

The East Tawas City Park's response to the finding in our audit is described above. We did not audit the Park's response and, accordingly, we express no opinion on it.

**Appendix II**  
**Management Comments**

**STATUS OF PRIOR YEAR COMMENTS:**

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Preparation of Financial Statements				X